

**MINUTES
BOARD OF TRUSTEES OF THE
PUBLIC EMPLOYEES' RETIREMENT FUND
143 West Market Street, Suite 500
Indianapolis, Indiana 46204
September 17, 2004**

EXECUTIVE SESSION

Trustees Present

Jonathan Birge, Chair
Richard Doermer, Vice Chair
Garland Ferrell, Trustee
Connie Thurman, Trustee
Bob Welch, Trustee

Others Present

Craig Hartzer, Executive Director
Bruce Kimery, Deputy Executive Director/Chief Benefits Officer
Leisa Julian, General Counsel

REGULAR SESSION

Trustees Present

Jonathan Birge, Chairman
Richard Doermer, Vice Chairman
Garland Ferrell, Trustee
Connie Thurman, Trustee
Bob Welch, Trustee

Others Present

Michael A. Claytor, Crowe Chizek
Herschel Frierson, Crowe Chizek
Brad Grabow, Crowe Chizek
Brent Ehrman, Crowe Chizek
Doug Jones, Crowe Chizek
Bob Lazard, Crowe Chizek
Scott Nicholson, Crowe Chizek
Mary Beth Braitman, Ice Miller
Elaine Beaty, McCready & Keene
Richard Lenor, McCready & Keene
Douglas Todd, McCready & Keene
Walter Kelly, Clifton Gunderson

Jim Hartman, Clifton Gunderson
Michelle Hartman, Clifton Gunderson

PERF Staff Present

Craig Hartzler, Executive Director
Bruce Kimery, Deputy Executive Director/Chief Benefits Officer
Leise Julian, General Counsel
Michael Hortsman, Chief Financial Officer
Diann Clift, Chief Information Officer
Joseph Duncan, Investment Analyst
Irina Gladkov, Investment Analyst
Clay Jackson, Chief Internal Auditor
Robert Lofland, Finance Manager
Terry Nay, Finance
Marty Montgomery, Retirement Benefit Supervisor
Doug Wesley, Investment Analyst
Jerry Porter, Executive Assistant to the Board

The Board of Trustees meeting was called to order by Chairman Birge.

I. APPROVAL OF THE MINUTES

MOTION duly made and carried to approve the Minutes of the July 16, 2004, Board of Trustees meeting.

<i>Proposed by:</i>	<i>Richard Doermer</i>
<i>Seconded by:</i>	<i>Bob Welch</i>
<i>Votes:</i>	<i>Five in favor, 0 against, 0 abstentions</i>

II. OLD BUSINESS

There was no old business to discuss.

III. NEW BUSINESS

A. Crowe Chizek Presentation

- Mr. Hartzler reminded the Board that staff was authorized to secure a contractor to help create an operations manual for PERF. He then introduced Brent Ehrman, partner in charge of the project.
- Mr. Ehrman reported that there are approximately 230-260 desktop procedures that need to be created at PERF and that Crowe is in the process of developing these procedures. These procedures will be available to staff via the Intranet. Procedures will include revision history and clear links to other documents. Mr. Ehrman then provided

a brief demonstration on how to use the software that accesses the appropriate procedures. He noted that this is a free-viewer software, meaning no cost to any viewer. He also reported that this procedure would be great for training and cross training employees. This project is expected to be completed by the end of March, 2005.

- Mr. Nicholson reported that hopefully this process will provide PERF management with better financial information. He also discussed the findings in the financial statements that contributed to a qualified audit for the year-end 2002, and 2003. He reported that Crowe will be providing reconciling balances for June 30, 2003 and June 30, 2004, and will deliver those documents to the State Board of Accounts (SBOA) by October 8, 2004.

B. Clifton Gunderson Presentation

- Mr. Hartzer reminded the Board that Clifton Gunderson has been hired to help PERF with a review of internal controls and various accounting functions. He then turned the meeting over to Mr. Kelly.
- Mr. Kelly Introduced Mr. Hartman, Senior Technical Partner, and Ms. Hartman, of the Client Service Center in Indianapolis. He reported that the firm is still on track with the targeted date of October 30, 2004.
- Mr. Hartman reported on transaction testing and the verification and validation of data.
- Mr. Hartzer reported to the Board that this process would validate all the payments made by PERF for the last two years. This is in regards to some of the findings from the SBOA audit.

C. Real Estate Matters

- Ms. Julian reported on real estate matters, including the sale of the 125 Building. A resolution to approve the sale of the 125 Building and to empower the Executive Director and staff to execute documents in order to sell the building was presented to the Board.

MOTION duly made and carried to approve the sale of the 125 Building and empower the Executive Director and staff to execute documents in order to sell the building.

Proposed by:
Seconded by:
Votes:

Garland Ferrell
Richard Doermer
Five in favor, 0 against, 0 abstentions

Lease Agreement

- Ms. Julian recommended that the Board approve a lease agreement for the basement of the 125 Building for storage of PERF documents and to house some contractors working for PERF.

MOTION duly made and carried to approve the lease agreement for the basement at the 125 Building.

*Proposed by: Garland Ferrell
Seconded by: Connie Thurman
Votes: Five in favor, 0 against, 0 abstentions*

Dissolution of Market Capitol Ventures, LLC

- Ms. Julian presented a resolution to the Board to dissolve Market Capitol Ventures, LLC, the holding company that was created in April, 2000 to hold the real estate of PERF. Now that we no longer own the 125 Building the LLC is no longer needed and is an administrative burden.

MOTION duly made and carried to dissolve Market Capitol Ventures, LLC.

*Proposed by: Connie Thurman
Seconded by: Richard Doerner
Votes: Five in favor, 0 against, 0 abstentions*

D. SBOA Audit Update

- Mr. Hartzer reported on the internal control structure. He reported that checking accounts and cash balances would be improved through some of the recommendations of Clifton Gunderson. In addition, Mr. Hartzer reported that there are new control procedures in place for investment, accounting, and for transfers. He reported that the mutual fund investment findings are completed. He stated that there is much progress being made to close all of the findings.

E. Forensic Audit

- Mr. Hartzer reported on PERF's 10 responses to the forensic audit. PERF has posted these responses on the Internet and is working hard to execute the items listed in his recommendations.

F. Confidentiality of Members Records Policy

- Ms. Julian reported that under Indiana law, records of individual members are confidential with the exception of names and number of years of service of members. Therefore, the Confidentiality of the Members Records Policy is recommended for approval so staff will know how they should respond to requests for members records.

MOTION duly made and carried to approve the Confidentiality of the Members Records Policy.

*Proposed by: Jonathan Birge
Seconded by: Garland Ferrell
Votes: Five in favor, 0 against, 0 abstentions*

IV. COMMITTEE REPORTS

A. Investment Committee

- Mr. Doermer reported that the Investment Committee recommended that PERF retain Hotchkis & Wiley as one of the four managers of the Large Cap Portfolio.

MOTION duly made and carried to approve Hotchkis & Wiley as one of the four managers of the Large Cap Portfolio.

*Proposed by: Bob Welch
Seconded by: Connie Thurman
Votes: Five in favor, 0 against, 0 abstentions*

- Mr. Doermer reported that the Committee voted to amend the contract to retain SIS to provide evaluation work on all alternative investments and to provide a report each quarter on qualitative and quantitative reviews with an additional fee paid of \$30,000 per year.

MOTION duly made and carried to amend SIS's contract to provide evaluation work on all alternative investments and to provide a report each quarter on qualitative and quantitative reviews with an additional fee paid of \$30,000 per year.

*Proposed by: Richard Doermer
Seconded by: Garland Ferrell
Votes: Five in favor, 0 against, 0 abstentions*

- He reported that the Committee recommended that the staff prepare two RFP's, one seeking an international fund of funds manager for international private equity investments, and one seeking a fund of funds manager of private equity venture capital.

MOTION duly made and carried to accept the staff's recommendation for two RFP's for an international private equity fund of funds manager and a private equity venture capital fund of funds manager.

Proposed by: Bob Welch
Seconded by: Garland Ferrell
Votes: Five in favor, 0 against, 0 abstentions

- He reported that the Committee recommended that the Board accept the staff's recommendation to approve the proxies regarding the merger of Seix Investment Advisors into Trusco Capitol Management, Inc.

MOTION duly made and carried that Board accepts the staff's recommendation to approve the proxies regarding the merger of Seix Investments Advisors into Trusco Capitol Management, Inc.

Proposed by: Richard Doermer
Seconded by: Garland Ferrell
Votes: Five in favor, 0 against, 0 abstentions

B. Benefits Committee

- Ms. Thurman reported that in August 30, 2004, PERF processed 350 retirements, and in September, 2004, 354 retirements were processed. Retirements are still being paid within 60 days. The retirements and refunds have gone up. There has been some delay in the membership records due to formatting, but that is being addressed. She reported that customer satisfaction survey results have been great. She reported that a match with the Indiana Department of Revenue is being used to identify accounts that have no names or addresses. She reported that the benefits manual is still being worked on.

C. Audit & Budget Committee

- Mr. Ferrell reported that the committee discussed the death benefit and audit reports. He reported that the staff recommends that the Board approve the FY2005 Audit Plan.

MOTION duly made and carried to approve the FY2005 Audit Plan.

Proposed by: Garland Ferrell
Seconded by: Connie Thurman
Votes: Five in favor, 0 against, 0 abstentions

V. REPORT OF EXECUTIVE DIRECTOR

- Mr. Hartzler introduced Ms. Gladkov, Investment Analyst, and Mr. Wesley, Senior Investment Officer as new additions to PERF's Investment Department.

VI. DATE OF NEXT MEETING

The date of the next Board of Trustees meeting will be October 15, 2004.

VII. ADJOURNMENT

There being no further business, the meeting was adjourned.